

Digital efficiency in the financial services industry

Bridging the gap between potential and reality

2017

In association with

The Econsultancy logo, which is a white circle containing the word "Econsultancy" in a dark font.

Econsultancy

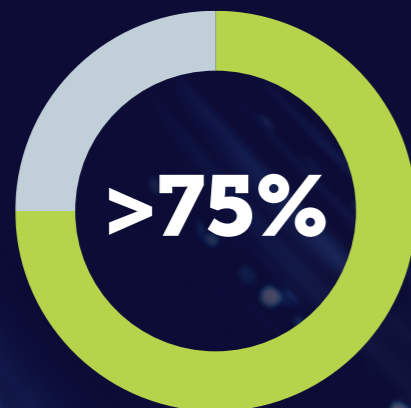
The potential for digital efficiency has never been **HIGHER.**

We live in a world where nearly a third of people use their mobile within five minutes of waking up.

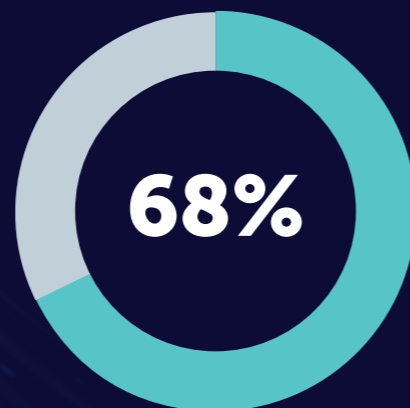
More than three-quarters use them on public transport on the way into the office and 68% use their smartphone while having dinner with family. In fact, people are so addicted to their smartphones, that not only do 37% use them for work emails¹ – 42% also check emails while using the bathroom.²

These facts and figures may be interesting, but what do they mean for business?

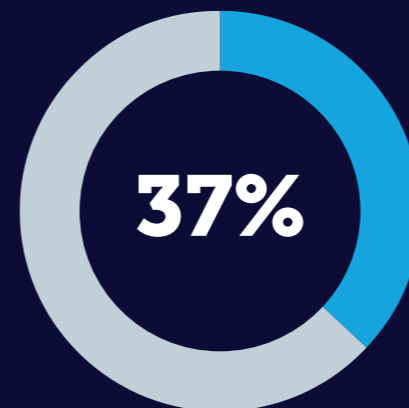
Mobile and digital innovations continue to streamline business processes. Thanks to cloud-based technology, workers are no longer chained to the office to get things done. Travelling executives can now sign off on documents electronically from virtually anywhere using a mobile device – alleviating wait times for document processing and, ultimately, getting products and services into the hands of consumers faster.



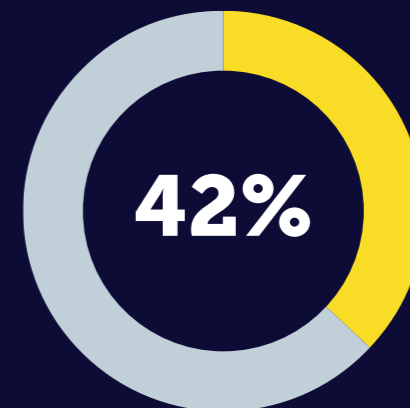
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of people check emails while using the bathroom

Essential tasks that traditionally took up a lot of time and expense can be done in far less time through a computer or mobile device. With the use of a smartphone camera, Know-Your-Customer (KYC) APIs now make verifying the identity of customers quick and easy – allowing customers to open bank accounts by photographing their identity documents and taking a selfie.^{3,4}

Shopping and travel have gone mobile as well. Carrying credit cards or cash are almost a thing of the past. Apple Pay and Google Wallet have made it possible for consumers to pay for their coffee or just about anything else with a scan or a tap of their mobile phone. Travel and airline apps make checking flight and train schedules a breeze. And when you arrive at your destination, navigation apps such as Google Maps and Citymapper can get you around town.

Adding to the excitement of this bright new time in technology is the idea of e-residency and the opportunity to manage everything online. The small country of Estonia is using digital technology to broaden horizons and open up new business opportunities. According to The Economist, there are currently “over 21,000 foreign ‘e-residents’ of Estonia, all of whom can incorporate

businesses in the country without setting foot in it.”⁵ Identity cards with chip-and-PIN ensure compliance with the most stringent EU regulations on electronic identification and trust services.

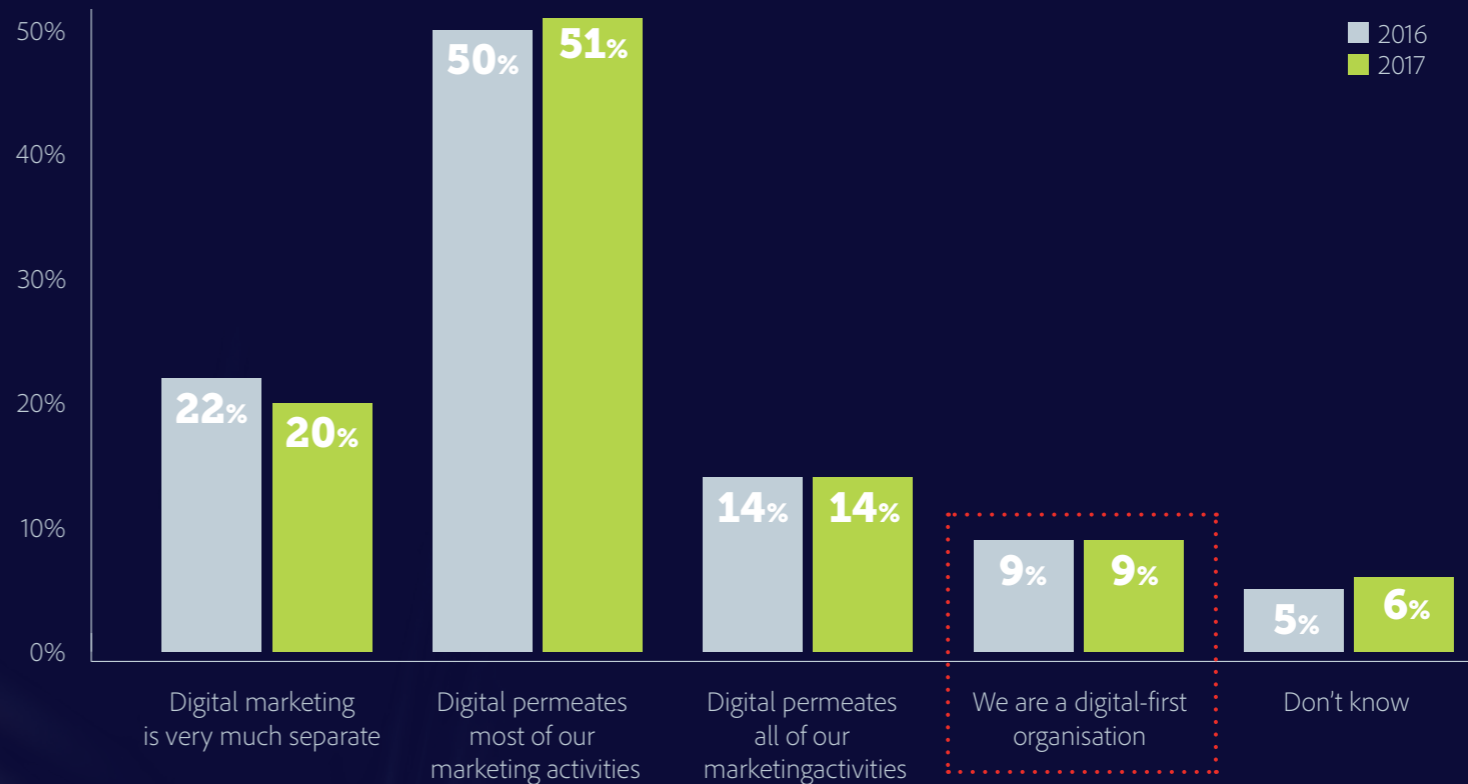
What does this all mean for the financial services and insurance industry, which has fallen behind other sectors in the area of digital transformation? What can financial services organisations do to keep up with other industries and banking start-ups and live up to their customer experience priorities? And how can professionals in this industry help to bridge the gap?

Fortunately, answers do exist and solutions are available that enable organisations to become more efficient and provide a customer experience that is increasingly expected in the market today.

THE REALITY: much of the incumbent financial services industry lags behind.

Historically, the digital capacity of the financial services and insurance industry has fallen behind other sectors. The 2017 Digital Trends in Financial Services and Insurance report released by Econsultancy found that only 9% of financial services and insurance organisations reported being digital-first (Figure 1). This compares to an average of 11% across all sectors and significantly below the media (22%) and technology (19%) sectors.⁶

Figure 1: To what extent does digital permeate your own organisation's marketing activities?



Econsultancy/Adobe 2017 Digital Trends in Financial Services and Insurance

Separate research shows that European financial services companies ranked an average of 2.35 on a scale of 1 to 4 in digital readiness. The same research showed that while financial services companies in Europe acknowledge the importance of digital technology in their growth strategy, only 37% have committed a budget towards digital transformation.⁷

Additionally, the stricter regulations that have been placed on the financial services sector since the 2007 financial crisis have played a part in impeding digital innovation. The regulations put a drain on both workforce resources and funds that could have otherwise been assigned to development of digital capabilities.

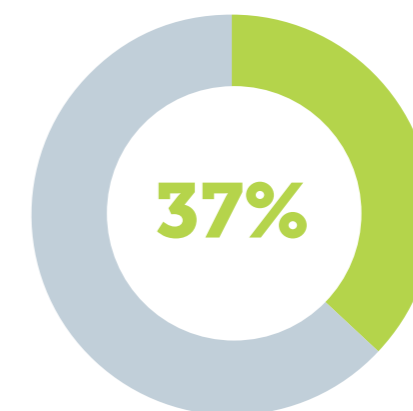
2017 data from Thomson Reuters reveals that 26% of firms continue to spend more

than a whole day every week tracking and analysing regulatory change and a full 62% of firms are expecting regulators to propose even more rules in the coming year, with 22% expecting significantly more.⁸ Keeping up with the regulations has created what Deloitte describes as 'risk fatigue'.⁹

The cost of compliance is also prohibitive to digital expansion. Yves Mersch, Member of the Executive Board of the European Central Bank, said in 2015: "If banks are simultaneously aiming to cut costs to restore profitability, while raising the resources they dedicate to compliance, there could be a consequence elsewhere: for instance, IT resources may be diverted away from innovation. That would hinder the process of technological adaptation that is key for their long-term viability."¹⁰



2.35 out of 4 European financial service companies ranked as digital-ready.



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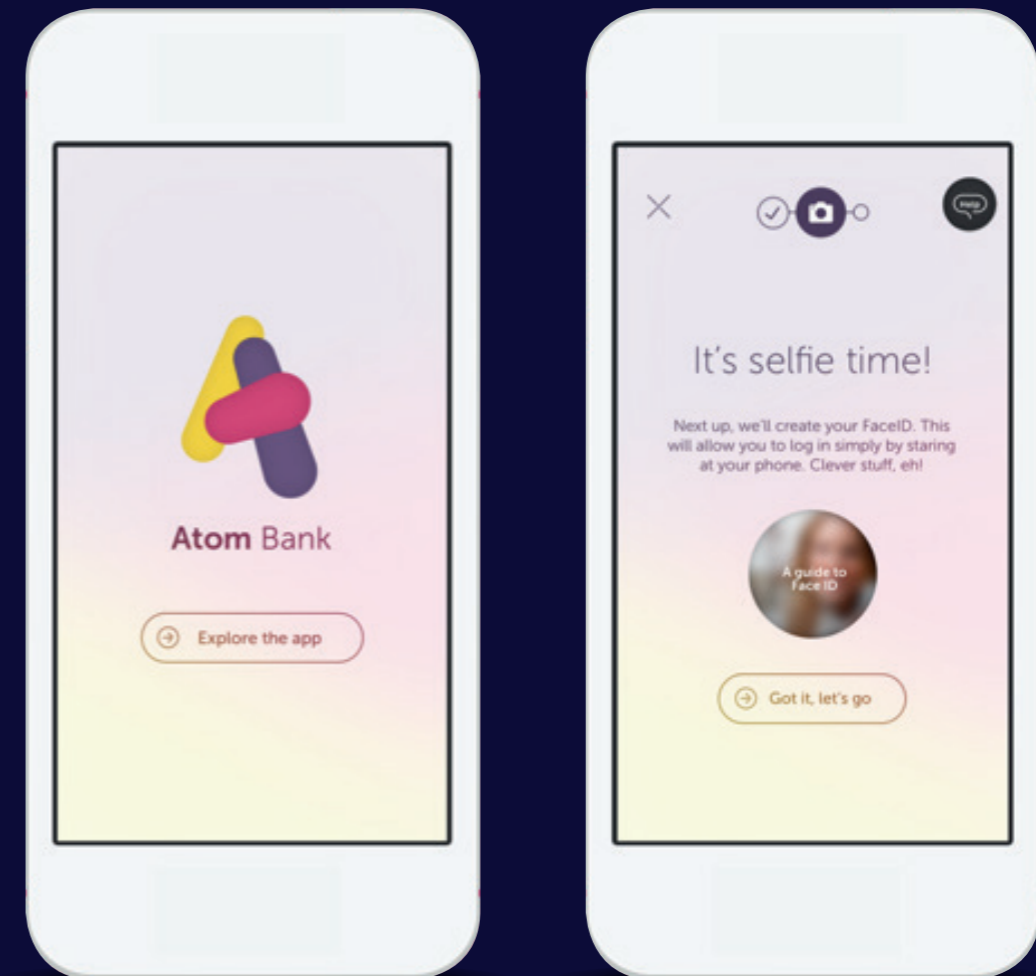
THE RISK: disruptors are forging ahead regardless.

In the meantime, new mobile banks are starting to crop up causing further disruption. Mobile app-based banks such as Atom Bank, Starling Bank and Monzo Bank all offer a completely mobile banking experience with access to accounts only through their app.

Customers simply download the bank's app onto their mobile phone or compatible tablet (available on Apple and Android platforms) and apply for an account through the app.

These new mobile app-based banks offer many of the same services available from traditional banks, including debit card accounts, savings accounts and mortgages.

They also offer perks such as zero charges when spending abroad, low interest rates and real-time account updates. Responding to the consumers' need for simplicity and support, each bank boasts ease of use as well as 24/7 customer service. Atom Bank even utilises biometric security features with face or voice recognition backed up with a passcode.



Examples of Atom Bank interface
<https://www.atombank.co.uk/newsroom>

Traditional financial services companies see these new app-based banks as a threat to their bottom line. A PwC report found that 88% of traditional financial services organisations believe that their business is at risk from fintech companies like the ones named above.¹¹ Deloitte reports that individuals who use mobile banking are 26% more likely to recommend the mobile bank to others. Mobile banking also promotes customer loyalty, with mobile banking consumers being 30% more likely to stay with that bank.¹²

There is the possibility for traditional financial institutions to view these new challenger banks as an opportunity to learn best practices and apply them to their existing customer base. Some are even choosing to form active partnerships with companies that could be seen as the competition, while other financial and insurance organisations are already beginning to integrate technological innovations such as artificial intelligence (AI) into their workflows and services.

Credit Suisse is using AI software to write investor reports. In the insurance industry, Allianz Worldwide Care has an AI symptom checker to assess medical claims. Alexis Obligi, Allianz Worldwide Care Chief Sales and Marketing Officer, said: "Our members expect continuous innovation, and we are seeing a strong trend towards digital usage and uptake in paperless claims submissions."¹⁵



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Alexis Obligi

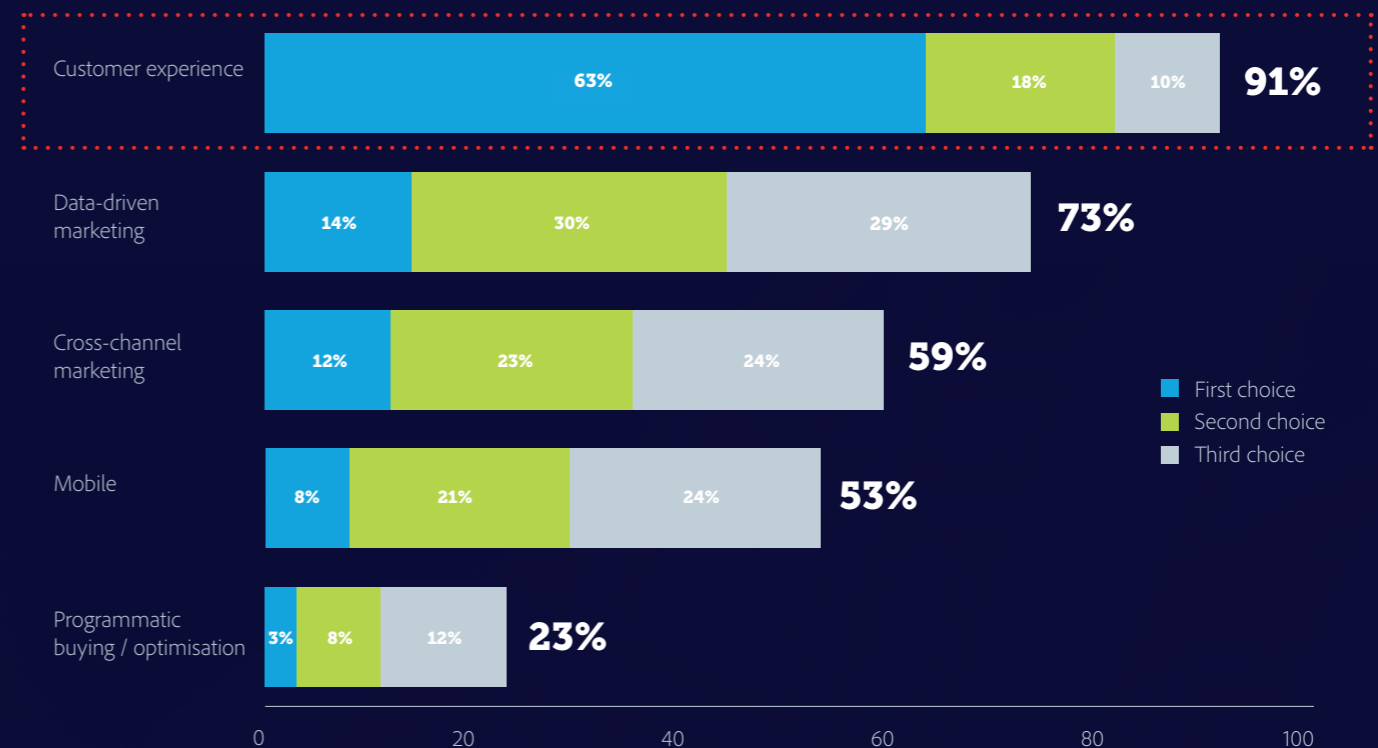
Allianz Worldwide Care Chief Sales and Marketing Officer

CUSTOMER EXPERIENCE is the new battleground.

Fallout and mistrust that stemmed from the financial crisis as well as the influx of disruptors have put a greater emphasis on customer experience within the financial services industry.

Improving the customer experience is therefore a key way in which incumbents can work to address the frustration of their existing customers and close the gap on emerging fintech brands. This fact is demonstrated in the 2017 Digital Trends in Financial Services and Insurance report, which showed that 91% of respondents listed customer experience as one of their top strategic priorities in 2017.

Figure 2: Please rank these five areas in order of priority for your organisation in 2017?



Econsultancy/Adobe 2017 Digital Trends in Financial Services and Insurance



Other data shows that customer experience is a key component in the battle to win and retain customers:



41% of the 55,000 customers surveyed by Ernst & Young are excited about the emergence of online-only providers that compete with traditional banks.¹⁶



The same survey showed that 'better online experience and functionality' ranked second (behind 'more attractive rates/fees') when consumers were asked what was the most important reason to consider an online or mobile non-bank provider.



Ernst & Young also found that exceeding customer experience expectations leads to increased advocacy. This is especially true with customers who are typically 'unhappy' with their financial provider.¹⁷

And it's not just marketers who are championing this move; customer experience is also on the minds of those in charge of technology. According to the Econsultancy/Adobe 2017 Digital Trends in the Technology Sector report, keeping up with changing customer expectations and behaviour was cited as a key challenge by 40% of respondents, a greater proportion than those worried about keeping IT systems up and running.¹⁸

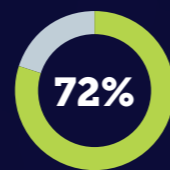
While some financial institutions still need convincing that customer experience is essential, the majority have started to recognise its importance. With that in mind, the challenge is therefore not necessarily about convincing organisations of the importance of customer experience – rather, it is about delivering a superior customer experience in a world that is moving at an ever-increasing pace.

THE GOOD NEWS: the technology already exists

The good news is that there are tools and technology available right now that can enable financial services organisations to become more efficient and provide a superior customer experience.

By simply integrating digital workflow solutions which include digital documents, seamless form filling across devices and electronic signatures, financial services and insurance organisations can improve security, reduce cost, increase productivity and improve customer experience. All of this helps organisations to quickly catch up with the competition and address the changing expectations of their customers.

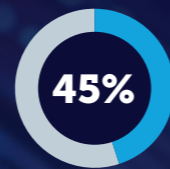
The stats from an IDC report on companies that are already utilising digital workflow technologies speak for themselves:¹⁹



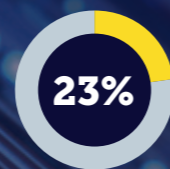
72% of business leaders believe that improving document processes can increase customer satisfaction and brand value.



Research shows a potential 30% reduction in costs and a 36% increase in revenue.



45% of business leaders predict an increase in departmental productivity.



They also believe that improving document processes could yield a 23% reduction in business/compliance risks.

Filling out forms manually has never been fun. This is especially true in the financial services industry where forms are a way of life. Account representatives often fill out the same forms repeatedly before handing them off to customers to fill out their part. This process takes valuable time and can result in errors and incomplete paperwork. However, it is now possible for companies to integrate their CRM systems with digital documents or go through an autofill-as-a-service provider to cut out the lengthy manual form-filling process.

Electronic signatures also free up valuable time for financial service organisations as well as their customers. Customers can sign a form without being present and managers can sign off on paperwork from anywhere they may be. In July of 2016 the EU's eIDAS regulations went into effect. eIDAS standardises regulations for all 28 member states of the EU and states that e-signatures and verification services will be admissible as evidence in legal proceedings.²⁰

Because regulatory compliance and security are vital to the financial services and insurance sector, it is important to note the emergence of the Cloud Signature Consortium, a group of industry and academic experts that are "committed to building a new standard for cloud-based digital signatures that will support web and mobile applications and comply with the most demanding electronic signature regulations in the world."²¹



LOOKING FORWARD

The financial services and insurance industry is lagging behind other industries when it comes to digital adoption. While companies in this sector do recognise the importance of digital technology, many are still slow to dedicate a budget to digital transformation.

In addition, strict regulations placed on the industry acts as a further hindrance to financial service companies trying to keep up-to-date digitally. With the priority focused on compliance, funds and manpower that could be allocated towards IT efforts to become more digitally relevant are being used towards compliance with regulation.

Customer trust in their banks is still low after the financial crisis. At the same time, customer experience expectations are at their highest. While the financial services industry is beginning to recognise the need to improve customer experience, there is a challenge to ensuring the technology is in place to keep up with the ever-changing digital world.

Adding to this complication, fintech start-ups such as app-based banks are becoming more prevalent. Answering consumer desires for simplicity, mobility and 24/7 customer support, these new arrivals are posing a threat to the market share of existing players.

But despite what could be seen as a pessimistic situation, there are solutions available to help financial service companies catch up and fulfil increased customer expectations. Some are using technological innovations such as artificial intelligence to improve workflows and customer experience; others are choosing to collaborate with the start-ups rather than see them as the competition. Financial institutions can be more innovative, launch new digital products, improve workflow processes and improve customer experience.²² Along those same lines, cloud-based technology and e-signatures also play a major part, offering tried and trusted methods in taking steps forward for digital transformation.

For financial services companies to overcome the challenges they must commit to a strong digital vision. By placing emphasis on customer experience and embracing technological innovation, companies have the power to succeed in this ever-changing digital world.

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